



General Assembly

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Amendment

LCO No. 6484

HB0717806484HDO

Offered by:
REP. FONTANA, 87th Dist.

To: Subst. House Bill No. 7178

File No. 203

Cal. No. 204

***"AN ACT CONCERNING WATER COMPANY INFRASTRUCTURE
PROJECTS."***

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. (NEW) (*Effective from passage*) (a) For purposes of this
4 section:

5 (1) "Eligible projects" means those water company plant projects not
6 previously included in the water company's rate base in its most recent
7 general rate case and that are intended to improve or protect the
8 quality and reliability of service to customers, including (A) renewal or
9 replacement of existing infrastructure, including mains, valves,
10 services, meters and hydrants that have either reached the end of their
11 useful life, are worn out, are in deteriorated condition, are or will be
12 contributing to unacceptable levels of unaccounted for water, or are
13 negatively impacting water quality or reliability of service if not
14 replaced; (B) main cleaning and relining projects; (C) relocation of
15 facilities as a result of government actions, the capital costs of which

16 are not otherwise eligible for reimbursement; and (D) purchase of leak
17 detection equipment or installation of production meters, and pressure
18 reducing valves.

19 (2) "Department" means the Department of Public Utility Control.

20 (3) "Infrastructure assessment report" means a report filed by a
21 water company with the department that identifies water system
22 infrastructure needs and the company's criteria for determining the
23 priority for eligible projects related to infrastructure.

24 (4) "Pretax return" means the revenue necessary, after deduction of
25 depreciation and property taxes, to produce net operating income
26 equal to the water company's weighted cost of capital as approved by
27 the department in the company's most recent general rate case
28 multiplied by the new original cost of eligible projects.

29 (5) "Reconciliation adjustment" means the difference between
30 revenues actually collected through the water infrastructure and
31 conservation adjustment and the amount allowed under the WICA for
32 that period for the eligible projects. The amount of revenues
33 overcollected or undercollected through the adjustment will be
34 recovered or refunded, as appropriate, as a reconciliation adjustment
35 over a one-year period commencing on April first.

36 (6) "Water company" means a water company, as defined in section
37 16-1 of the general statutes, that has filed for approval an individual
38 infrastructure assessment report to support a request for a WICA
39 adjustment.

40 (7) "Water Infrastructure and Conservation Adjustment (WICA)"
41 means an adjustment applied as a charge or credit to a water company
42 customers' rates to recover the WICA costs of eligible projects.

43 (8) "WICA costs" means the depreciation and property tax expenses
44 and associated return on completed eligible projects.

45 (9) "WICA revenues" means the revenues provided through a water

46 infrastructure and conservation adjustment for eligible projects.

47 Sec. 2. (NEW) (*Effective from passage*) (a) The Department of Public
48 Utility Control may authorize a water company to use a rate
49 adjustment mechanism, such as a water infrastructure and
50 conservation adjustment (WICA), for eligible projects completed and
51 in service for the benefit of the customers. A water company may only
52 charge customers such an adjustment to the extent allowed by the
53 department based on a water company's infrastructure assessment
54 report, as approved by the department and upon semiannual filings by
55 the company which reflect plant additions consistent with such report.
56 The department, in consultation with the Office of Consumer Counsel,
57 shall conduct the proceeding in accordance with the provisions of
58 section 16-18a of the general statutes.

59 (b) On or before ninety days after the effective date of this section,
60 the department shall initiate a generic docket on what shall be
61 included in a water company's infrastructure assessment report and
62 annual reconciliation reports and the criteria for determining priority
63 of eligible projects. The department shall provide public notice with a
64 deadline for interested parties to submit recommendations on the
65 report contents and criteria. The department may hold a hearing on the
66 generic docket but shall issue a decision on the docket not later than
67 one hundred eighty days after the deadline for interested parties to
68 submit their recommendations on the report contents and criteria.

69 (c) The water company shall file their individual infrastructure
70 assessment report with the department and such report shall identify
71 the water system infrastructure needs and a water company's criteria
72 for determining priority for eligible projects related to infrastructure.
73 The department shall address such criteria in its docket initiated
74 pursuant to subsection (b) of this section. Criteria may include, but
75 shall not be limited to, (1) age, material or condition of the facilities; (2)
76 extent and frequency of main breaks or interruption of service; (3)
77 adequacy of pressure; (4) head loss; (5) availability of fire flows; and (6)
78 the potential of such projects to improve system integrity and

79 reliability.

80 (d) The department shall approve a water company's individual
81 infrastructure assessment report upon determining that the company
82 has demonstrated through generally accepted engineering practices (1)
83 the infrastructure projects considered for renewal or replacement are
84 eligible projects; (2) such projects will benefit customers by improving
85 water quality, system integrity or service reliability; (3) they adhere to
86 the criteria established for determining priority for infrastructure
87 projects; and (4) there is a sufficient level of investment in
88 infrastructure. The department may hold a hearing to solicit input on a
89 water company's individual infrastructure assessment report provided
90 a decision on the assessment is made not later than one hundred
91 eighty days after filing. Any such report not approved, rejected or
92 modified by the department within such one-hundred-eighty-day
93 period shall be deemed to have been approved.

94 (e) Notwithstanding the provisions of section 16-19 of the general
95 statutes, upon department approval of a water company's individual
96 infrastructure assessment report, the water company may charge the
97 WICA for eligible projects in addition to such water company's
98 existing rate schedule pursuant to subsection (f) of this section and the
99 procedures and customer notification requirements in subsections (g)
100 and (h) of this section.

101 (f) The WICA adjustment shall be calculated as a percentage, based
102 on the original cost of completed eligible projects multiplied by the
103 applicable rate of return, plus associated depreciation and property tax
104 expenses related to eligible projects and any reconciliation adjustment
105 calculated pursuant to subsection (j) of this section as a percentage of
106 the retail water revenues approved in its most recent rate filing for the
107 regulated activities of said water company.

108 (g) A water company may impose the WICA adjustment for eligible
109 projects as a charge or credit on customers' bills at intervals of not less
110 than six months, commencing on either January first, April first, July

111 first or October first in any year. No proposed WICA charge or credit
112 shall become effective until the Department of Public Utility Control
113 has approved such charges or credits pursuant to an administrative
114 proceeding. The department may receive and consider comments of
115 interested persons and members of the public at such a proceeding,
116 which shall not be considered a contested case for purposes of title 4 of
117 the general statutes, this section or any regulation adopted thereunder.
118 Such administrative proceeding shall be completed not later than
119 thirty days after the filing of an application by a water company or
120 within a time period as otherwise established in the generic docket
121 conducted pursuant to subsection (b) of this section. Any approval or
122 denial of the department pursuant to this subsection shall not be
123 deemed an order, authorization or decision of the department for
124 purposes of section 16-35 of the general statutes. Notwithstanding the
125 provisions of this section, if the department has not rendered an
126 approval or denial concerning any such application within the
127 established timeframe, the proposed charges or credits shall become
128 effective at the option of the company pending the department's
129 finding with respect to such charges, provided the company will
130 refund its customers any such amounts collected from them in excess
131 of the charges approved by the department in its finding.

132 (h) Water companies shall notify customers through a bill insert or
133 other direct communications when the adjustment is first applied and
134 the WICA charge or credit shall appear as a separate item on
135 customers' bills.

136 (i) The amount of the WICA applied between general rate case
137 filings shall not exceed seven and one-half per cent of the water
138 company's annual retail water revenues approved in its most recent
139 rate filing, and shall not exceed five per cent of such revenues for any
140 twelve-month period. The amount of the adjustment shall be reset to
141 zero as of the effective date of new base rates approved pursuant to
142 section 16-19 of the general statutes and shall be reset to zero if the
143 company exceeds the allowable rate of return by more than one
144 hundred basis points for any calendar year.

145 (k) On or before February twenty-eighth of each year, a water
 146 company shall submit to the department an annual reconciliation
 147 report for any WICA charges applied to customers' rates through
 148 December thirty-first of the previous calendar year. Such reconciliation
 149 report shall identify those projects that have been completed,
 150 demonstrate that the WICA charges are limited to eligible projects that
 151 are in service and used and useful as of the end of the calendar year,
 152 and include any other information required as a result of the generic
 153 docket conducted pursuant to subsection (b) of this section. The
 154 company shall indicate in its report any significant changes in the
 155 extent of infrastructure spending, the priorities for determining eligible
 156 projects or the criteria established in the infrastructure assessment
 157 report. In addition, the reconciliation report shall compare the WICA
 158 revenues actually collected to the allowed amount of the adjustment. If
 159 upon completion of the review of the annual reconciliation report the
 160 department determines that a water company overcollected or
 161 undercollected the WICA adjustment, the difference between the
 162 revenue and costs for eligible projects will be recovered or refunded, as
 163 appropriate, as a reconciliation adjustment over a one-year period
 164 commencing on April first. The company shall refund the customers
 165 with interest for any overcollection but shall not be eligible for interest
 166 for any undercollection."

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section